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Governor



State of Wisconsin
Department of Health and Social Services

DIVISION OF HEALTH
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**Procedures for Nursing Home Section District Auditors for Applicable
Limits/Parameters for FY 96-97**

**Administrative Procedures for Determining Allowable Costs for Calculation
of Base Expenses for Wisconsin Medicaid Nursing Facility Payment Rates
for FY 96-97**

Introduction: Section 1.110 of the Medicaid Nursing Facility State Plan is the basis for the development of administrative policies and procedures as are necessary to implement the provisions of the plan or the methods of implementation. These procedures address the limits which are applied and the exceptions to the limits in calculating the rates under section 7.000 of TN# 96-20 for the payment rate year of July 1, 1996 through June 30, 1997.

According to Section 7.000 of the SFY 1997 rate year, the determination of allowable costs for calculation of base expenses for the SFY 1997 rates (conditional and cost-adjusted rates) will follow the provisions of Sections 1.000 through 6.000 with exceptions. This is true for allowable costs based on audit adjustments. This is also true for these, and not limited to these, applicable allowable cost limits:

Section 2.620 \$6.36 Limit Test,
Section 3.500 All provisions for allowable property costs,
Section 3.521 15% of Equalized Value
Section 3.526(e) Interest income offsets, revenue offsets and bed assessments
Section 3.530 Maximum Undepreciated Replacement Cost (URC) per bed

Exceptions to the provisions of Sections 1.000 through 6.000 are as follows:

Direct Care Expense

3.115 Patient Days The only part of this section that does apply is: Adjusted "patient days" from the base cost reporting period shall be used in the calculation of the direct care expense. None of the rest of the section is applicable.

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State Rep. In _____ Date Eff. 7-1-96

-2-

Exceptions:

3.122	3.126	3.127
3.123	3.126(a)	3.128
3.124	3.127(a)	
3.125		

Support Services Expense

Section 3.220 Note: the definition of "Expense" is applicable.

Administrative and General Services Expense

Section 2.650

Section 3.251 Note: the definition of "Expense" is still applicable.

Section 3.254

Fuel and Other Utility Expense Expense

Section 3.310 Note: the definition of "Expense" is still applicable.

Property Tax—Sections ApplyProperty Expense

Section 3.537

Section 3.532 Note: The definition of T1 (Section 3.532) as the product of the equalized value from Section 3.531 multiplied by a service factor of 6.0% and the definition of "Expense" are still applicable.

Ancillary Add On—Sections ApplyOver-the-Counter Drug Allowance—Sections ApplyFinal Rate Determination

Section 3.710	Section 3.760
Section 3.724	Section 3.772
Section 3.722	Section 3.773
Section 3.740	Section 3.774

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-3-

Note: Sections 3.900-5.210 are applicable.

Note: Section 5.300 (Cost Report Inflation and Deflation Factors are applicable).

None of Sections 5.400 to 5.900 apply. These sections cover:

Direct Care Payment Parameters

Support Service Payment Parameters

Administrative and General Services Payment Parameters

Fuel and Utility Payment Parameters

Property Tax Payment Parameters

Capital Payment Parameters

Over-the-Counter Drugs Payment Parameters

Note: Sections 6.100-7.330 apply in their entirety.

10/16/96

11/26/96

12/4/96

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OFFICIAL

Summary of Public Comments on OBRA '87 Provisions

Comments of the State's cost estimates to implement OBRA '87 and OBRA '90 for the 1992-93 rate year were received from representatives of the nursing home industry, including the Wisconsin Association of Nursing Homes, representing primarily for-profit nursing homes, the Wisconsin Association of Homes and Services for the Aging, representing primarily non-profit and governmental nursing homes, the Wisconsin Counties Association, representing county operated nursing homes, and BDO Seidman, an accounting firm that represents many Wisconsin nursing homes.

BDO Seidman questions the State's assertion that all costs are now included in the base cost data used to model nursing home costs in the 1992-93 rate period, because the data are 1990 cost reports inflated to June 30, 1992.

-53-

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TN# 91-0016 and 92-0008

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WISCONSIN MEDICAL ASSISTANCE PROGRAM
TITLE XIX NURSING HOME COST REPORT

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* * * * * INSTRUCTION BOOKLET * * * * *

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF HEALTH
BUREAU OF HEALTH CARE FINANCING

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State Rep. In. _____ Date Eff. 7/1/84 Page 1

INSTRUCTION BOOKLET
-- FOR --
TITLE XIX NURSING HOME COST REPORT
---- CONTENTS ----

OFFICE

(July 1984)

General Instruction	100
Listing of Cost Report Schedules	200
Records Retention	300
Related Parties And Related Organizations	400
Basic Principle	401
Reporting Expenses From Related Party Transactions	402
Definitions	403
Determination Of Relatedness	404
Exception	406
Examples	407
Reporting Of Salary And Wage Expense	500
Salary Accruals	501
Standard Reporting Instructions	502
Special Payments To Employees	503
Expense For Non-Productive Hours	504
Estimates Of Paid Time-Off Expense	505
Non-Productive Salary Expense Based On Earned Time-Off	506
Expenses Related To & Not Related To Patient Care	600
Expenses Related To Patient Care	601
Start-Up Costs	601
Expenses Not Related To Patient Care	602
Special Items Not Related To Patient Care	603
Reporting	604
Allocation Of Shared And Indirect Expenses	700
General	701
Cost Reporting	702
Hospital Based Facilities	703
Daily Patient Service Supplies	800
Dietary Supplies	801
Diapers, Underpads, And Other Paper and Cloth Incontinency Supplies	802
Catheter and Bladder Irrigation Supplies and Other Incontinency Apparatuses	803
Other Medical Supplies And Personal Comfort Supplies	804
Minor Medical Equipment	805
Minor Equipment -Versus- Capitalized Equipment	900
Examples Of Allocation Schedules	Pages 20 to 26

Page 2

HCFA-179 # 84-6142 Date Rec'd 10/1/84
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Division of Health
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Green Bay, WI 54301

IF THE DISTRICT AUDITOR IS NOT KNOWN

SEND THE COST REPORT TO AUDIT UNIT
DIVISION OF HEALTH
BUREAU OF HEALTH CARE FINANCING
P.O. BOX 309 - ROOM 244
MADISON, WI 53701

SECTION 100
GENERAL INSTRUCTIONS
"TITLE XIX NURSING HOME COST REPORT"

1. REPORTING PERIOD. Revenues, expenses and the related statistical data are to be reported for the facility's twelve month fiscal year which ended in 1984.

Fiscal Year Defined. The year the nursing home provider uses for financial reporting purposes and for tax reporting purposes.

2. DUE DATE. The completed cost report must be submitted to the facility's Medical Assistance District auditor:
- a. By October 31, 1984 for cost reporting fiscal years ending in or before July 1984.
 - b. By three months after the end of the cost reporting fiscal year for such years ending in the months of August thru December 1984.
 - c. Facilities that have had a certified audit for the cost report period will be permitted an additional 30 days from the above dates to file the cost report. A copy of the audit report must be submitted with the cost report.
 - d. Extensions from the above due dates must be requested in writing at least 15 days prior to the filing deadline and will be granted, at the Department's discretion, only in unusual circumstances that are uncontrollable by the provider. The reason for the request must be specified.
 - e. As provided by Section 49.45(13)(a), Wis. Stats., providers whose reports are not received by the above due dates or by the extended due date shall have their reimbursement rates withheld for each month delinquent as follows: First month 25%; second month 50%; third month 75%; fourth month and thereafter 100%. The reimbursement rate shall be restored to 100% of the approved rate upon receipt of the cost report.
 - f. Section 49.45(13)(b), Wis. Stats., provides for a daily forfeiture for failure to submit a cost report or financial report within the period specified.
3. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. Revenues and expenses should be reported according to generally accepted accounting principles (GAAP) except for items which the report instructions require some other accounting or reporting method. The instructions may allow, at the facility's option, a deviation from GAAP for certain items. For other items, GAAP need not be followed if such deviation will not significantly or materially mis-state revenues and expenses.
4. ACCRUAL METHOD. Revenue and expenses are to be reported on the accrual method of accounting except for governmental facilities which may use the cash method of accounting. If the facility's records are maintained on the cash basis, then supplemental worksheets should be prepared to adjust revenues and expenses for all significant accruals. These adjustments need not be posted to the general ledger. Retain the worksheets.

The following are some items which should be adjusted for accruals for the cost reporting period.

- a. Revenues. Accrue all significant realized revenues. Adjust Title XIX revenue for known retroactive rate adjustments for the reporting period.
- b. Accounts Payable. Significant accounts payable at the end of the cost reporting period should be included in expenses. Accounts payable at the beginning of the period should be eliminated from expenses.
- c. Payroll Expenses And Hours. Accrue productive wage expense and its related hours worked, and non-productive (paid time-off) wage expense and its related hours by cost center. See Schedule 41 if paid time-off will be reported on the basis of "earned" time-off.

(OVER)

7/1/84

SECTION 100 -- GENERAL INSTRUCTIONS (Continued)

- d. Interest And Debt Principal. Adjust the principal due on mortgages, bonds, and notes payable and accrue their related interest expense to the report period.
- e. Depreciation. Depreciation should be calculated using the straight-line method of depreciation and a reasonable useful life. (See Schedule 34)
- f. Inventories. Supply expenses should be adjusted for significant changes in the inventories. Each facility should consider its purchasing and usage practices to determine if an inventory adjustment would significantly affect expenses. An inventory adjustment should be made for supply items purchased and stored in bulk quantities.

NOTE Facilities Under 30 Beds. Facilities under 30 licensed beds during the cost reporting period and not operated by a chain organization need not accrue for revenues and vendor accounts payable. If elected, such a convention must be consistently applied in future years' cost reports. The Department retains the right to adjust for such accruals if they are determined to be irregular and significant.

- 5. ACCOUNTING REFERENCE. The cost report is structured around the "State of Wisconsin Nursing Home Accounting and Reporting Manual." Expenses should be classified and reported according to the guidelines in that manual. The uniform account numbers in the cost report refer to that manual.
- 6. SPECIFIC SCHEDULE INSTRUCTIONS. Specific instructions for each schedule are in the cost report -- either on the back of the preceding page or on the schedule.
- 7. CHECK SCHEDULES. Check to see that the cost report has all schedules listed in Section 200 of this instruction booklet.
- 8. PROVIDER NUMBER. Enter the facility's Title XIX provider number at the top right corner of each schedule. This will allow for identification of the facility's cost report if any schedule gets separated from the report.
- 9. ROUNDING TO WHOLE NUMBERS. Please round all gross dollar and hour amounts to whole numbers. The rounding error is both minuscule and acceptable. Rounding makes the cost report easier to read and to work with. For example, \$3,827.49 should be rounded to \$3,827; 782.50 hours would round to 783 hours.
- 10. ADDITIONAL SHEETS. If additional sheets of paper are used, they should be clearly labeled and securely fastened to the cost report. Cross-reference any addended cost report schedule to the added sheets.
- 11. WRITE CLEARLY. The report need not be typed but hand writing should be legible. Photocopies must be dark and legible.
- 12. BINDING. Two holes are provided at the left margin for binding the report. If possible, facilities should bind the report through these holes rather than attempt to staple it.
- 13. READ INSTRUCTIONS. Please read this "Instruction Booklet" before completing the cost report. This booklet contains reporting instructions, guidelines, and policies which pertain to many schedules in the report. Also, page through the report, inspect each schedule, and read the instructions for each schedule.
- 14. CHANGES FROM 1983 COST REPORT. The "1984 Cost Report" remains substantially the same as 1983.

Section 200
LISTING OF COST REPORT SCHEDULES

<u>Schedule</u>	<u>Schedule</u>
Face Sheet And Certification	1
Provider's Notes - Comments - Qualifications ..	2
General Information	3
Major Revenue Generating Activities	4
 <u>SCHEDULES FOR REPORTING STATISTICS</u>	
Building Square Feet	5
Total Patient Days	6
Therapeutic Patient Days	7
Mentally Retarded Patient Days	8
Emotionally Disturbed Patient Days	9
 <u>SUMMARY FINANCIAL SCHEDULES</u>	
Balance Sheet	10
Summary Of Revenues And Net Income Or Loss	11
Summary Of Total Expenses	12
Summary Of Salary And Wage Expense	13
 <u>SCHEDULES FOR REPORTING DETAILED REVENUES</u>	
Daily Patient Service Revenue	14
Special Service Revenue	15
Other Revenue	16
Cafeteria and Dietary Revenue	
Miscellaneous Services and Materials Sold	
Other Revenue	17
Rental Revenues	
Major Revenue Generating Activities	
Other Revenue	18
Services Sold To Related Organizations	
Interest And Investment Revenue	
Disposal Gains (Losses)	
Grants, Contributions, Donations	
Other Revenues	
Deductions From Revenue	19
 <u>SCHEDULES FOR REPORTING DETAILED EXPENSES</u>	
<u>Cost Center Expenses:</u>	
Daily Patient Service Expense (Nursing)	20
Worksheet For Itemizing Medical &	
Personal Comfort Supply Expense	20A
Special Service Expense	21
Laboratory Services	
Radiology Services	
Pharmacy Services	
Special Service Expense	22
Physical Therapy	
Occupational Therapy	
Physician Services	
Special Service Expense	23
Social Services	
Recreational Activities	
Religious Services	
Special Service Expense (Other Types)	24
General Service Expense	25
Dietary	
Plant Operation And Maintenance	
Housekeeping	
Laundry And Linen	
Security	
Transportation	
Allocation Of General Service Expenses	25A
Allocation Of General Service Expenses	25B
Administrative Service Expense	26
Home Office And	
County Central Service Expense	26A
Allocation Of Administrative Expense	26B
Other Cost Centers	27
 <u>Unassigned Expenses:</u>	
Employee Fringe Benefit Expense	28
Heating Fuel And Utility Expense	29
Interest Expense On Operating	
Working Capital Loans	30
Insurance Expense	31
Amortization Of Deferred Expenses	32
Interest Expense On Plant Asset Loans	33
Depreciation Expense And	
Capitalized Plant Assets	34
Lease Expense On Operating Leases	
Lease Expense On Capitalized Leases	
Property Tax Expense	
Income Tax Expense	38
Other Non-Salary Expenses	39
Allocation Of Property Expenses	40
Accounting And Reporting Policies	41
 <u>SCHEDULES FOR IDENTIFYING CERTAIN REPORTED EXPENSES</u>	
Identification Of Expenses From	
Transactions With Related Organi-	
zations And Related Parties	42
Identification Of Expenses	
Not Related To Patient Care	43
Identification Of Compensation To	
Owners And Immediate Family Relation	44
Identification Of Compensation To	
Administrators And Assistants	45
Identification Of Expenses For	
Employee Unique Fringe Benefits	46
Subminimum Wage Employee Expenses	47
Government Subsidized Employee Expenses	48
High Pressure Boilers And	
Water And Sewer Plants	49
Percentage Of Ownership	50A
Interest In Other Title XIX Providers	50B
Medical Supply Charges To Medicare	51
Ancillary Charging Practices	52